

## CITY COMMISSION MINUTES

March 23, 2010

7:00p.m.

The regular meeting of the Junction City City Commission was held on Tuesday, March 23, 2010 with Mayor Terry Heldstab presiding.

The following members of the Commission were present: Terry Heldstab, Scott Johnson, Mike Rhodes, Ken Talley, and Jack Taylor. Staff present was: City Manager Gerry Vernon, Interim City Manager Mike Guinn, City Attorney Catherine Logan, and City Clerk Tyler Ficken.

### GENERAL DISCUSSION

**Gail Parsons** thanked the Commission for participation in the school artwork award program.

**Bruce Jasinski of 72218 Rockwood Dr., Milford, Kansas** thanked City Manager Vernon for responses to his e-mails. Mr. Jasinski stated that he would like to see a timeline of recommendations, and what the City has accomplished. He stated that he would like to see the remaining subdivisions be audited; he would like to see a fresh start for the City. He would like to see the City recover funds that were overpaid returned to the City. He stated that he would like to see county residents have that ability to run for City office. City Attorney Logan stated that the City had changed the City code in the past to reflect state law. Commissioner Johnson stated that he would like to see County residents be able to run for City office.

**Chris Jasinski of 7228 Rockwood Dr., Milford, Kansas** stated that the BKD results were surprising but then again not; she would like to see further investigation with timelines. She stated that a new finance manager needs a clear picture to move forward from. She stated that the City needs to look into term limits for City Commissioners. She stated that county residents should be able to sit on the Commission because the county residents pay the taxes that the City cannot pay. She stated that the City should adopt an ordinance to revoke block 31, lot 12 of the Olivia Farms Development.

**George Marcus of 1538 Foreman Rd.** stated that recent findings are the result of events such as the taxpayer forum. He stated that he feels BKD has done a professional job. He stated that the City growth presented an administrative nightmare. Mr. Marcus stated that his group was cast as a vocal minority. He stated that his group did not think that other Commissioners had taken money but wanted the administration of the City to be looked into. He stated that he looks forward to recommendations.

**Alan Bontrager 7122 Old Milford Rd.** stated that he agreed with George that he didn't believe other commissioners took money. He stated that he would like to see the specials sorted out and taken care of. He stated that he thinks the police

and fire departments do a wonderful job. He stated that he feels the Commissioners should listen more to those who disagree. He stated that he would like to see some turnover on the Commission along with a CFO who would get along with the City Manager. The City would not have had to pay for BKD investigation if the City was managed better.

**Karen Mott** stated that she needs a place where she and her pet can go in the event of a weather emergency. Commissioner Talley stated that the shelter at the municipal building is for humans only and referenced a letter from Gary Berges, the County Emergency Services Director. Commissioner Johnson stated that he did not see a problem with bringing in animals. Commissioner Talley stated that the decision needs to be made by Gary Berges. Commissioner Johnson said they should be able to bring pets because the building was paid for by the citizens. Commissioner Taylor stated that those who are allergic to animals would then have the right not to have animals there.

### **CONSENT AGENDA**

- a. Approval of the March 2, 2010 City Commission Meeting Minutes.  
Commissioner Taylor moved, seconded by Commissioner Johnson to approve the amended consent agenda. Ayes: Heldstab, Johnson, Rhodes, Talley, Taylor. Nays: none. Motion carried.
- b. The consideration and approval of Appropriation Ordinance dated February 25, 2010 to March 17, 2010 in the amount of \$1,421,224.49. Commissioner Taylor moved, seconded by Commissioner Johnson to approve the amended consent agenda. Ayes: Heldstab, Johnson, Rhodes, Talley, Taylor. Nays: none. Motion carried.
- c. Monthly Reports:
  1. Rolling Meadows Report
  2. Water Department Report
  3. Personnel Report
  4. Fire Report
  5. EMS Report
  6. Police Report
  7. Veolia ReportCommissioner Taylor moved, seconded by Commissioner Johnson to approve the amended consent agenda. Ayes: Heldstab, Johnson, Rhodes, Talley, Taylor. Nays: none. Motion carried.
- d. The consideration and approval of R-2597 for Right of Way Clearance and Utility Adjustments for the installation of traffic signals at the intersection of 6<sup>th</sup> and Franklin streets. Commissioner Taylor moved, seconded by Commissioner Johnson to approve the amended consent agenda. Ayes: Heldstab, Johnson, Rhodes, Talley, Taylor. Nays: none. Motion carried.

- e. The consideration and approval of the 2010 Cereal Malt Liquor Licenses for Great Life Golf and Fitness at 1301 W 8<sup>th</sup> St. Commissioner Taylor moved, seconded by Commissioner Johnson to approve the amended consent agenda. Ayes: Heldstab, Johnson, Rhodes, Talley, Taylor. Nays: none. Motion carried.
- f. The consideration and approval of Payroll #3 and #4 for the month of February 2010. Commissioner Taylor moved, seconded by Commissioner Johnson to approve the amended consent agenda. Ayes: Heldstab, Johnson, Rhodes, Talley, Taylor. Nays: none. Motion carried.
- g. The consideration and approval for Pay Estimate #2 in the amount of \$14,780.60 by Kaw Valley Engineering for Professional Services through December 20, 2009 on the McFarland and Eisenhower Sidewalk project. (Removed from consent agenda for separate discussion)
- h. The consideration and approval for the purchase of two vehicles in the amount of \$11,000.00; \$10,408.00 from insurance settlement, and \$592.00 from Special Law Enforcement account. (Removed from consent agenda for separate discussion)

#### **SEPARATE DISCUSSION**

The consideration and approval for Pay Estimate #2 in the amount of \$14,780.60 by Kaw Valley Engineering for Professional Services through December 20, 2009 on the McFarland and Eisenhower Sidewalk project. Assistant City Manager Guinn stated that costs from this project resulted from professional services charges for sidewalk on McFarland from 6<sup>th</sup> Street to 8<sup>th</sup> Street; and also Caroline across Highway 77. Assistant City Manager Guinn stated that the bid was to HWS and the Kaw Valley bill was set aside and not paid until now. Commissioner Johnson asked if the City bill from Konza construction has been paid. Assistant City Manager Guinn stated that a portion of the bill has been paid, and the remainder will be paid when paperwork on the project is completed by Konza. Commissioner Rhodes moved, seconded by Commissioner Johnson to approve Estimate #2 in the amount of \$14,780.60 by Kaw Valley Engineering for Professional Services through December 20, 2009 on the McFarland and Eisenhower Sidewalk project. Ayes: Heldstab, Johnson, Rhodes, Talley, Taylor. Nays: None. Motion carried.

The consideration and approval for the purchase of two vehicles in the amount of \$11,000.00; \$10,408.00 from insurance settlement, and \$592.00 from Special Law Enforcement account. Police Chief Brown stated that he is requesting approval for the purchase of two vehicles from the City Commission. Commissioner Talley asked whether the insurance settlement was from a Tahoe, and whether the item was put out to bid. Police Chief Brown stated that the insurance claim did not involve a Tahoe, and the replacement vehicles were put out to bid. Commissioner Taylor moved, seconded by Commissioner Johnson to

approve the purchase of two vehicles in the amount of \$11,000.00. Ayes: Heldstab, Johnson, Rhodes, Talley, Taylor. Nays: None. Motion carried.

## **APPOINTMENTS**

The consideration and approval of the appointment of Tim Brown to (1) the 8<sup>th</sup> Judicial District Corrections Advisory Adult Board for a term of two years ending March, 2012; and (2) the 8<sup>th</sup> Judicial District Corrections Advisory Juvenile Board for a term of three years ending March, 2013. Commissioner Rhodes moved, seconded by Commissioner Taylor to approve the appointment of Tim Brown to (1) the 8<sup>th</sup> Judicial District Corrections Advisory Adult Board for a term of two years ending March, 2012; and (2) the 8<sup>th</sup> Judicial District Corrections Advisory Juvenile Board for a term of three years ending March, 2013. Ayes: Heldstab, Johnson, Rhodes, Talley, Taylor. Nays: None. Motion carried.

## **SPECIAL PRESENTATIONS**

A special presentation of City Proclamation recognizing Vietnam Veterans Day & the 40<sup>th</sup> anniversary of the 1<sup>st</sup> Infantry Division's return to Kansas. Mayor Heldstab read and presented the proclamation.

Public response to questions by BKD, LLP concerning their recent investigation of the City. City Attorney Logan reminded everyone that the Commission asked for questions to be submitted to BKD for a follow up at this meeting. She stated that many of inquiries received were not questions, or were not appropriate for BKD to answer. City Attorney Logan stated that she did not want to ask BKD to investigate further without permission from the Commission. The plan is to follow up on factual questions. Receive recommendation from the Commission on any further requested investigations. They City will address the recommendations as they can, and when it is appropriate for City staff to follow up. Finally, there are purely legal questions that need to be answered. City Attorney Logan stated that she will work to be more thorough on the final item in the future. She stated that an important focus point should be the accuracy of special assessments. A review is currently being conducted by Varney and Associates on the 2010 special assessments and adjustments. She stated that the Commission will want to consider a review of other special assessments. Commissioner Taylor asked who would need to be called to find out the assessment costs on property. City Attorney Logan stated that the County has the numbers because they assess the taxes. City Attorney Logan stated that the Commission will look into the amended petition for block 31, lot 12 of Olivia Farms. City Attorney Logan will research this and come to the Commission to comprehensively address the issue. Commissioner Johnson stated that 1.8 million was forked over up front; the land will not be built on. Commissioner Johnson stated that Fort Development needs to come back to the City and give the money back.

Jim Snyder of BKD stated that he has received good feedback on the BKD report; but the job is not finished until questions from the Commission and citizens are answered. Jim Snyder stated that BKD had three responsibilities with this report. First, prepare and submit a written report. Second, present an executive

summary. Third, answer questions about the report. The City Commission provided a process to BKD, and what would come next from the Commission are further recommendations. Jim Snyder provided two recommendations moving forward. First, the Commission should concentrate on reconciling the general ledger to bond costs, and it should be a top priority. The public who is purchasing bonds needs to know this information. Second, the City should consider an annual compliance and annual audit over the next three to four years; each department would be examined. Jim Snyder commented on the questions regarding the expense of the report. Jim Snyder stated that BKD did not limit the investigation because it would lead to less investigation at an important point. This was provided in the contract. The contact person for BKD was City Attorney Logan. It was great to have so much interest from the community. Listening to the community was a mission critical cost that added additional costs to the report. The investigation could have been done at a lower cost only if one of the three missions were excluded: report, presentation, question answer session.

#### **Exhibit A attached: Junction City Housing Program Investigation Follow-Up Questions for Response**

Commissioner Johnson asked if fee estimates from Kaw Valley came in low or high. Shauna Woody-Coussens stated that fees were paid on estimates and not actual costs. Commissioner Johnson asked if there were overpayments. Shauna Woody-Coussens stated that there were not overpayments because the contract between Kaw Valley and the City stated that fees would be paid on estimates. Commissioner Johnson asked if Rod Barnes mismanaged everything he did on this. Moving to the Opera House Commissioner Johnson asked if the developers on the contribution list were a conflict of interest. Shauna Woody-Coussens stated that BKD relied on information from the City regarding contributions. Commissioner Taylor stated that in a conversation with Morningstar, he was told that Morningstar was not approached for a contribution. Commissioner Johnson stated that he would like to see the money come back to the City. Jim Snyder stated that BKD has provided 9 to 10 specific recommendations. Commissioner Johnson stated that he is angry with the situation and not BKD. Commissioner Taylor stated that at the time of growth he was worried about spending but did not have the support from the Commission to stop the spending. He asked BKD what he should have done in that situation. Commissioner Taylor stated that he had asked for an Opera House donation list from Rod Barnes for two years, but never received a list. Shauna Woody-Coussens stated that Rod Barnes had a different recollection of events. City Attorney Logan stated that the City should work with the current auditors B&T Co. to move forward. Jim Snyder reiterated BKD's offer to work with the City on future department scale projects. Mayor Heldstab asked for BKD to provide a cost estimate on this service. Jim Snyder stated that a copy of the questions and answers will be provided to the Commissioners. He thanked the Commissioners for their cooperation.

A bond finance update from the City finance advisors at George K. Baum Company. (Item is postponed until the April 6, 2010 Commission Meeting)

## NEW BUSINESS

The consideration and approval of City owned farm lease with winning bid to Dibben Land & Cattle Inc. in the amount of \$1,255.80. Chief Steinfort Presenting. Fire Chief Steinfort stated that sealed bids for lease of the property were received on January 26<sup>th</sup>. A notice was published in the newspaper for this to occur. Fire chief Steinfort recommended that the Commission accept the bid. Commissioner Rhodes moved, seconded by Commissioner Taylor to approve the City owned farm lease with winning bid to Dibben Land & Cattle Inc. in the amount of \$1,255.80. Ayes: Heldstab, Johnson, Rhodes, Talley, Taylor. Nays: None. Motion carried.

The consideration and approval of requests for street closures for First Friday events and a Chamber after Hours event at the Request of the Junction City Arts Council. Gail Parsons Presenting. Gail Parsons stated that the request is for First Friday events and a Chamber event. Gail Parsons stated that she has spoken to business owners in the area; there has been no indication of a problem. Commissioner Rhodes asked why the events will be held in the street instead of the park. Gail Parsons stated that they are trying to develop a feel of an art district in the area with the Opera House. Commissioner Taylor moved, seconded by Commissioner Johnson to approve requests for street closures for First Friday events and a Chamber after Hours event at the Request of the Junction City Arts Council. Ayes, Heldstab, Johnson, Rhodes, Talley, Taylor. Nays, None. Motion carried.

The consideration and approval for the City of Junction City to submit pre-application forms to USDA Rural Development on behalf of the Dorothy Bramlage Public Library for a community facilities grant to be used for the purchase of equipment; the amount to be requested is approximately \$62,000. Susan Moyer Presenting. Susan Moyer stated that the library would like to apply for a USDA rural development grant, and the applicant must be the parent organization. The grant is for facilities improvements through the ARRA; the grant is for public libraries specifically. There is currently a pre-application period when documents need to be sent in. Commissioner Johnson asked whether the funding for the library can be reduced next year if the grant is approved. Susan Moyer stated that the library would not ask for a reduced funding as a result of this grant. She stated that the grant is for improvements such as a new drinking fountain, copy machines, and security gates; grant funds would not cover operational expenses. Commissioner Rhodes moved, seconded by Commissioner Talley to approve the City of Junction City to submit pre-application forms to USDA Rural Development on behalf of the Dorothy Bramlage Public Library for a community facilities grant to be used for the purchase of equipment. Ayes: Heldstab, Johnson, Rhodes, Talley, Taylor. Nays: None. Motion carried.

The consideration and approval of Ordinance G-1065 amending the City Code by creating Special Events Regulations for the City. (First Reading) David Yearout Presenting. David Yearout stated that this amendment to the City Code would accommodate for temporary approval of facilities such as the event of the pipeline group that will require space in the City. He stated that a fee structure could be added in the future for a special event permit. Mayor Heldstab asked what impact these types of events would have on the community. David Yearout stated that the impact would vary by project. In the future, the City will have a formalized procedure for such events. Commissioner Talley asked what the fees would be. David Yearout stated that the issue is still being addressed, but it is likely that the price will vary depending upon whether the organization is private, not-for-profit, or a public agency. Commissioner Talley moved, seconded by Commissioner Johnson to approve G-1065 on first reading. Ayes: Heldstab, Johnson, Rhodes, Talley, Taylor. Nays: None. Motion carried.

### **COMMISSIONER COMMENTS**

Commissioner Johnson stated that he hopes the BKD report opens some people's eyes; hopefully there is more than a 17% turnout at the next election. It is important to vote. Junction City will come out of this.

Commissioner Taylor asked whether someone had been in touch with the student from Cloud Community College regarding a noise waiver. Police Chief Brown stated that it will be followed up on for the Commissioner. Commissioner Taylor thought it would be a good idea to look into having Commissioners elected from each ward rather than at large.

Mayor wanted to thank military staff for attending the meeting this evening. He stated that he spent a 24 hour shift with the Fire Department. He stated that he had to wake up 4 times during the night, but it was a great experience.

### **STAFF COMMENTS**

City Manager Vernon stated that he will be meeting with Department Heads on their current budgets.

Assistant City Manager Guinn asked whether the Commission has considered any changes to G-1062, which requires all property taxes for individuals and developers to be paid before building permits can be pulled. Commissioner Johnson stated that he feels that passing G-1062 is one of the best things the City has ever done. Commissioner Taylor agreed, and stated that developers know the risks that are taken. Mayor Heldstab stated that it would be unfortunate if development was slowed due to the ordinance, but developers can decide to sell the land, and then the taxes are paid. Commissioner Taylor stated that he doesn't think the ordinance will hinder development.

City Attorney Logan stated that House Bill 2695 will not pass this year; it was met with animosity in committee. Commissioner Taylor stated that it is sad that some people have to hold this legislation up.

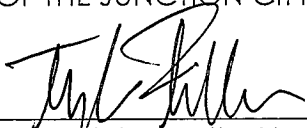
#### **EXECUTIVE SESSION**

Meeting to discuss issues under the scope of attorney client privilege to include the Commission, City Manager, Assistant City Manager, and City Attorney Logan. Commissioner Rhodes moved, seconded by Commissioner Talley to adjourn into executive session at 9:02 PM not to exceed 25 minutes to discuss issues under the scope of attorney client privilege; session to include the Commission, City Manager, Assistant City Manager, and City Attorney Logan. Ayes: Heldstab, Rhodes, Talley. Abstention: Taylor. Nays: Johnson. Motion carried. Commissioner Taylor moved, seconded by Commissioner Johnson to reconvene into regular session at 9:27 PM having made no decisions nor taken any action while in executive session. Ayes: Heldstab, Johnson, Rhodes, Talley, Taylor. Nays: None. Motion carried.

#### **ADJOURNMENT**

Commissioner Rhodes moved, seconded by Commissioner Talley to adjourn at 9:28 PM Ayes: Heldstab, Johnson, Rhodes, Talley, Taylor. Nays: None. Motion Carried.

APPROVED AND ACCEPTED THIS 6th DAY OF APRIL 2010 AS THE OFFICIAL COPY OF THE JUNCTION CITY CITY COMMISSION MINUTES FOR MARCH 23, 2010.

  
Tyler Ficken, City Clerk  
Terry Heldstab, Mayor



## **Exhibit A**

### **Junction City Housing Program Investigation Follow-Up Questions Submitted to BKD by Ms. Logan, City Attorney for Response**

- 1. Was there a chain of custody or other procedure followed to ensure the information in the bids was not available prior to the formal opening?**

We assume this question relates to the opening of bids to construct infrastructure. BKD was told that Kaw Valley Engineering ("KVE") received sealed bids that were open on a pre-announced date at a pre-announced time. The bid opening meeting took place at KVE's office and representatives of the City and all bidding contractors were free to attend.

- 2. Has it been determined, beyond a reasonable doubt, that the KVE principal with a "conflict of interest" did not provide information to J&K prior to their bid submission?**

The term "beyond a reasonable doubt" is a legal term used in a court of law and does not apply to BKD's services. BKD specifically inquired of KVE if contractors were given the cost estimate amounts prior to the bidding. We were told that if any contractor asked, KVE would give them an estimated range of the costs, such as not under \$3 million and not over \$4 million, but nothing exact. KVE indicated that they tracked costs in the local area and used an approximate 10% cushion to make sure their cost estimates were not too low.

- 3. Has it been determined, beyond a reasonable doubt, that the KVE principal with a "conflict of interest" did not have interests other than business or relationships that would create an additional conflict?**

The term "beyond a reasonable doubt" is a legal term used in a court of law and does not apply to BKD's services. Neither KVE nor any principal of KVE was a primary focus of our work. Our primary focus with regard to KVE was its participation in the City's Housing Program. We did ask about relationships between KVE and its principals with bidding contractors and were told that other than the normal social relationships that exist in a city of this size, none existed.

- 4. Do you believe the report should be referred to the Attorney General for a Grand Jury investigation?**

It is outside of our general scope of services to respond.

- 5. Is this the type of investigation that would be performed if any City Official inappropriately directly benefited financially from the Housing Program?**

The objective of our services was to assist the City in the review of the appropriateness of certain actions taken and decisions made related to the housing expansion that occurred during 2005 through 2007. Based upon our services, we found no evidence of personal benefit.

- 6. Did you audit the City's official bank accounts and business?**

No.

- 7. Did you interview the City Officials under oath?**

No – we are not law enforcement or officers of the court.

- 8. Did you conduct an investigation as law enforcement would?**

No – we do not have the same powers as law enforcement.

- 9. Do you have subpoena power?**

No.

- 10. Did you interview the former mayor to determine if he had co-conspirators?**

No – Mr. Wunder was involved in a criminal investigation from which formal charges were filed and we understand that Mr. Wunder has filed an appeal of his conviction. Unless formally working with law enforcement, we cannot involve ourselves in an ongoing criminal legal matter.

- 11. Did you audit the former mayor's bank accounts and phone records?**

No.

- 12. Did you determine what federal, state or local laws may have been violated?**

No – that is outside of the scope of our services. As stated in our report, our services do not constitute a rendering by BKD or its partners or staff of any legal advice.

- 13. Did you look at phone calls made between City Officials and Big D?**

No.

- 14. Did the principal at KVE who acted as the City Engineer, a City Official with a "Conflict of Interest", inappropriately directly benefit from the Housing Program?**

As previously stated, we were not performing an investigation of KVE or any of its principals. Therefore, we do not have a basis for an opinion on this issue.

- 15. Would the BKD investigation have uncovered the transfer of money from Big D to the former mayor?**

We are unable to answer that question as we did not interview Mr. Wunder or Mr. Freeman due to the criminal investigation.

- 16. Is the actual Special Assessment for Lot 31, Block 12 in Olivia Farms actually \$1,847,114? The developer's 90% portion is \$1,662,402 and the City at large 10% portion is \$184,711?**

Yes.

- 17. Would it be prudent for the City to have a detailed audit performed on Fort Development?**

That is a decision to be made by City Officials.

- 18. Who approved Development Agreements with a no bid process?**

All Development Agreements were approved by the City Commission.

- 19. Who was the City Engineer that approved the Engineer's \$16 million Cost Estimate nearly six months after the Development Agreement? (Olivia Farms)**

We do not have documentation regarding the City Engineer's approval of the plans. Typically, the City Engineer would request that the petition (with engineering plans) received from the developer be put on the agenda for approval by the Commission. It is unclear if this constitutes the Engineer's approval of the cost estimate or if the Engineer is merely forwarding the information on for the consideration of the City Commission.

- 20. Did the Engineer sign and stamp the estimate with the P.E.?**

We did not observe that in documentation we reviewed during our investigation.

- 21. In light of the findings related to the General Ledger, what due diligence would be required for BKD to issue a professional opinion and determination regarding the accuracy of the Special Assessments against the lots in the subdivisions included in the "2010 Bond Financing Plan"?**

Ms. Logan has indicated that this task is currently being performed by the City's outside auditors.

- 22. What is BKD's estimate of the amount of money that would have been saved by the City, if this expense was billed on actual construction costs?**

We assume this question is referring to engineering fees paid to KVE. We have not made this calculation. This calculation could be made, but we would need to be instructed to do so by the City.

- 23. Who made the following statement in the BKD report? "The City proposed that KRHID would be used to make Special Assessments for Olivia Farms, Sutter Woods, and Sutter Highlands more in line with the Special Assessments on other developments, thus making the lots in those three subdivisions more salable."**

The quote relates to one of the benefits of KRHID that made it of interest. Comments to this effect were made by various City Officials.

- 24. Why was Mann's Ranch dropped from the subdivisions that the City was attempting to finance with KRHID?**

BKD was told that the City Commission decided that anything more than 100 lots would use KRHID. At the time of that decision, eligible subdivisions were Mann's Ranch, Sutter Woods, Sutter Highlands and Olivia Farms. However, Mann's Ranch was sold to an out of town developer shortly after it was started and was not referenced with regard to KRHID thereafter.

- 25. It was stated in the report to take all precautions to insure we didn't have any conflicts of interest. What conflicts of interest did you identify from any City Commissioner related to real estate?**

We did not identify any conflicts of interest between City Commissioners and the 39 subdivisions that were within the scope of our review.

- 26. It appears that the split percentage between the Special Assessment District and the City at large is in error on the Hidden Valley Addition listed in Exhibit B, page 3. It shows as 100% charged to the Special Assessment District. I believe this was in fact closer to 60%. Is this a clerical error on the part of the City?**

Hidden Valley's petition for streets, sanitary sewer and water improvements was approved with 100% allocation to the Special Benefit District. Storm sewer improvements were later approved, but did not go through the petition process. The amount noted on Exhibit B refers only to the streets, sanitary sewer and water improvements, which totaled approximately 50% of the total costs, inclusive of the storm sewer improvements.

- 27. What happened to the \$500,000 surplus for the Opera House? This was on page 38 of the report. If the Opera House has the money in escrow, why do we have to subsidize it?**

We calculated the surplus based on the difference between the \$8 million in funding sources and the costs incurred between 2002 and 2009 of approximately \$7.5 million. However, as the accounting for the Opera House appears to have been the responsibility of various parties over time, we do not have an accurate accounting for the Opera House.

- 28. Based on your investigation, did you discover any overpayment to contractors or KVE?**

No, not based on the awarded bids or the current manner in which engineering fees appear to be paid.

- 29. Did you find any documentation presented to the Commissioners identifying the deviation from established Junction City Policies or Ordinances for developments who received something other than a 90-10 City contribution?**

BKD did not find any documentation presented to the Commissioners identifying the deviation from the established policies.

**Did you feel the City Commissioners knew they were violating established policies and ordinances?**

We are unable to answer this question as we do not know what the commissioner's knew at the relevant times.

- 30. What were the 3 or 4 major deficiencies with Junction City accounting function identified during the investigation?**

We observed the following:

Mis-posted or mis-coded expenses in the General Ledger that were not corrected.  
Costs that were in the General Ledger, but not included on the Bond Worksheet.  
Costs that were on the Bond Worksheet, but not included in the General Ledger.  
Costs that were bonded to the wrong project.

**Who was responsible for performing these accounting functions?**

The review of job descriptions of City staff for their direct responsibilities was not within our scope. We would defer to the City Manager on this question.

**Who should be responsible for training the City staff on accounting processes?**

We would refer this question to the City with regard to job descriptions for specific positions.

**31. What is the suggested method of investigating the propriety of the expansion of the Improvement District for Olivia Farms?**

It is not for us to determine what is appropriate on behalf of the City.

**Should this investigation be done by BKD? At what cost?**

No – it is not a question of finance or accounting.

**Would the expectation of the investigation be to collect the overstated Special Assessments as a single payment from Olivia Farms?**

The goal of any investigation would be a decision to be made by the City.

**32. Based on your experience with other city governments, do they publicize the Appropriations Ordinances prior the Commission meetings?**

In our experience, when a public meeting is “posted” (i.e 48 hour public notice) all ordinances on the agenda are available for the public to review upon request. However, they are not necessarily put on public display. The interested parties have to request to view them.

**33. Did you review the contracts for the Development Agreements and bid awards?**

Subdivisions with Development Agreements did not provide the City with contracts or documentation on their bid selection process. Therefore, the information was not available for review.

**34. Was there any documentation discovered during your research where the Commissioners were notified they were violating the Debt Management Policies of Junction City with their expenditure approvals?**

Calculations of the debt affordability limits are included in the Comprehensive Annual Financial Report each year. The amounts are not specifically identified to be above the policy limits in that report.

**Who should be responsible in providing this notification to the Commissioners?**

This is a decision to be made by the City.

**35. Can you provide specific examples of violations of the Junction City Purchasing Policy found during your investigation?**

Our report details possible violations related to the refund of \$63,598.98 in back taxes to the developer of Village at Freedom Place and the \$87,656.50 payment for dirt hauled to Village at Freedom Place.

**36. Based on your investigation, do you feel the appropriate approvals were being made prior to waiving building permit fees, utility connection or tap fees or utility line extensions?**

The City Commission approved the Development Agreements that including the waiving of fees as described in our report.

**37. Based on your investigation, did you find any unethical behavior or decisions to have been made by City Commissioners or City staff?**

We did not find any decision made by City Officials that were made with malicious intent.

**38. Based on your investigation, did you find any conflicts of interest by City Commissioners or City staff?**

Our review as limited to 39 specific subdivisions. We did not find any conflicts of interest related to City Officials or City staff related to those 39 subdivisions.

**39. Based on your investigation findings and trends, do you feel there are other items brought to you by citizens that warrant investigation?**

Documentation regarding all issues brought to our attention that were outside of the scope of our services was provided to the City Attorney. We did formally request to expand the scope of our services to review possible issues related to temporary housing that may have been established for the use of one of the developers under our review. However, it was determined not to go forward with that scope expansion at this time.

**Can a list of those citizen concerns be provided to the public?**

That is a question for the City Attorney.

- 40. Were BKD investigators provided the BRAC 2005 Report, used as a supporting document for the Junction City Housing Needs Analysis and RHID Applications for the Bluffs, Sutter Highlands, Sutter Woods and Olivia Farms?**

BKD pulled information regarding the BRAC 2005 Report from the Internet.

- 41. What internal controls and or ethics policies were in effect during the time covered by the investigation?**

BKD was provided the Accounting Policy, which was reviewed. We were not specifically provided and Ethics Policy or Internal Controls policies.

- 42. Did BKD investigators visually inspect the location and terrain of Block 12, Lot 31 Olivia Farms?**

Yes.

- 43. Did BKD have unfettered access to any and all City documents, or were the documents selected by City Officials for inclusion in the review?**

We were provided access to the files housed in various locations, and were provided other documentation upon request. We were not specifically denied access to any information we requested, if it existed. However, some requested detail documentation related to the pay requests had reportedly not been obtained and therefore was not available for our review.

**Other Matter:**

Subsequent to the release of our report, we received correspondence from Ms. Deborah Hargreaves indicating that the \$5,000 pledge to the Opera House by CBS Development had been paid in full. We reviewed the Pledge Report provided us by the City and discovered that the final payment on the CBS Development pledge was listed on a separate page further back in the report and we had failed to apply that payment to the CBS Development pledge. CBS Development had paid their \$5,000 pledge in full.